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THE FINANCING OF SAFEGUARDS

Report by the Board of Governors

1. On 14 June 1991, the Board of Governors considered a report submitted by the Chairman of the informal working group on the financing of safeguards*/ on the discussions in the group since the General Conference's last session.

2. The Board decided to submit the report - pursuant to General Conference resolution GC(XXXIV)/RES/538 - to the General Conference, together with the summary record of its discussion on 14 June 1991 under the item "The financing of safeguards".

3. The report is reproduced in the Annex hereto. The summary record will be issued in an Addendum to the present document.

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*/ Established by the Board on 2 October 1989 in response to General Conference resolution GC(XXXIII)/RES/513.

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THE FINANCING OF SAFEGUARDS

Report of the Chairman of the Informal Working Group

1. Last year, the General Conference, in resolution GC(XXXIV)/RES/538, noted the report by the Chairman of the Informal Working Group on the progress made in 1990, when the Group held three meetings. It also requested the Group "to continue its work so that consensus may be reached on the arrangements for the future financing of safeguards and to report, through the Board of Governors, to the Conference at its thirty-fifth regular session". Immediately after the General Conference's 1990 session, Ambassador J.-P. Vettovaglia succeeded Ambassador T. Strulak as Chairman of the Informal Working Group. No new Vice-Chairman was appointed.

2. During the 1990 meetings of the Group, it was agreed that the Group's work would be carried out in three phases. In the first phase, a set of six principles was established to serve as a basis for considering any future arrangements for the financing of safeguards. In the second phase, the elements specifying how these principles would be applied in defining arrangements for the financing of safeguards were to be developed.

3. Before the start of the second phase, on the basis of the list of six principles and the informal paper submitted by Cuba (see Attachment 1 to the Chairman's report annexed to document GC(XXXIV)/921 of 31 July 1990), consultations were held during the period from November 1990 to January 1991.

4. In the course of these consultations, the Chairman asked the representatives of Member States to consult with their authorities on three questions:

- The possibility of considering an increase in the percentage of the safeguards component of the Regular Budget paid by the "shielded" Member States, which declined from 5.2% in 1976 to 2.4% and now stands at 1.27%;

- the desirability of "unfreezing" the list of "shielded" Member States by updating it in the light of the official United Nations GNP statistics on which the latest United Nations scale of assessment is based; and

- the importance of taking inflation into account in any new formula.

5. The consultations proved that there are among Member States basic differences of approach and differing concerns which will never be reconciled easily. In the light of that fact, the Chairman concluded that a consensus on safeguards financing could not be expected to result from bilateral consultations.

6. The Group held its fourth and fifth meetings on 19 April and 17 May 1991.

7. At the fourth meeting, a decision was taken to study the various elements in the informal Cuban paper. These - together with proposals made earlier by Belgium[1/] and Italy[2/] and a proposal submitted during the meeting by Sweden - served as a basis for discussion.

8. The fourth meeting still reflected the existence of a great variety of positions and approaches - and the difficulty of harmonizing them.

1/ See Attachment 4 to the Chairman's report annexed to GC(XXXIV)/921.

2/ See Attachment 7 to the Chairman's report annexed to GC(XXXIV)/921.

9. At the fifth meeting, a discussion started on the interrelationship between various issues, such as the financing of safeguards and the financing of technical assistance. Some representatives were of the opinion that these issues could form part of a package deal. Some other representatives, however, did not accept the notion of a balance and felt that the various elements of the Agency's programme should be looked at on their own merits.

10. To sum up, it can be said that:

- Safeguards has the full support of all Member States, which expressed a readiness to continue a constructive dialogue in order to reach a consensus on future arrangements for the financing of safeguards.

- There was no opposition to the idea of the contributions of the "shielded" Member States towards the safeguards component of the Regular Budget continuing to increase - for a period of three years (1993-95) - in step with inflation (see operative sub-paragraph 1(i) of resolution GC(XXXIII)/RES/512), with a view to the solving of larger issues during that period. Several representatives stated that, while not opposed to this idea, they were waiting for instructions.

- Because of the limited mandate of the Group, further progress was difficult to achieve without looking at the problem of safeguards as a whole.

11. It was proposed that the Group recommend to the Board that, during the aforementioned three-year period, the question of safeguards effectiveness and efficiency and even the entire operation of the Department of Safeguards be examined. The discussion on the question of safeguards effectiveness and efficiency, and even the entire operation of the Department of Safeguards, could take place within the framework of the Medium-Term Plan debate, as suggested by some representatives, or in a new Informal Working Group set up by the General Conference with an enlarged mandate. A dual-track approach with a new Informal Working Group operating against the background of the Medium-Term Plan debate was also suggested.